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February 12, 2002

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Speaker Porter:

I am transmitting to you today two supplemental appropriation bills for Fiscal Year 2002. Issues requiring attention on an expedited basis are in a separate "fast track" bill. This bill includes supplemental needs with less immediate timing requirements.

The Administration and Legislature made considerable progress reforming the supplemental budget process several years ago. Unfortunately, we have lost some of that progress. Again this year we address the inevitable consequences of actions which supposedly reduced the general fund budget in May, but which actually just split the budget into two parts. Examples include going even below low-case projections for formula programs, not funding fire suppression and core emergency services, and not fully funding commitments such as private sector leases. Fire suppression alone accounts for \$7.2 million of this supplemental request; full payment of leases is another \$1.3 million. The \$16.5 million general fund placeholder amount for supplementals in the budget plan is clearly not sufficient to cover known supplemental funding requirements of this magnitude.

Some of the shortfalls can be covered with excess appropriations in other areas. For instance, based on current estimates of general funds needed for the foundation formula, \$1.9 million can be transferred to cover supplemental needs. Wherever possible, departments have made internal adjustments to keep within current appropriation levels. Nevertheless, supplemental requests are required when increased costs are beyond an agency's ability to adjust without detrimental effects on services the Legislature already approved in the budget.

Some of the supplemental requests will allow us to take advantage of increased federal aid in areas ranging from coastal impact assistance to satellite communication, geological projects, power projects and education grants to be passed on to local school districts.

As we work together on the FY2003 budget, the appropriations requested in this bill and its companion "fast track" supplemental should be used as reference points for determining realistic budget levels for the coming year. It is not appropriate to give the public the impression that May budget levels are realistic when we know for certain they simply push part of the budget off until the following year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tony Knowles". The signature is fluid and cursive, with a large initial "T" and "K".

Governor